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UNITED STATES BANKRUPTCY COURT
CENTRAL DISTRICT OF CALIFORNIA
SANTA ANA DIVISION

In re:

THE SOURCE HOTEL, LLC, a
California limited liability company,

Debtor and Debtor in
Possession.

Case No.: 8:21-bk-10525-ES

Chapter 11

**DEBTOR'S REPLY TO OBJECTIONS
AND RESPONSES TO MOTION FOR
ENTRY OF ORDER: (1) AUTHORIZING
SALE OF SUBSTANTIALLY ALL OF THE
DEBTOR'S ASSETS; (2) AUTHORIZING
THE DEBTOR'S ASSUMPTION AND
ASSIGNMENT OF GROUND LEASE AND
DETERMINING CURE AMOUNT; (3)
WAIVING THE 14-DAY STAY PERIODS
SET FORTH IN BANKRUPTCY RULES
6004(h) AND 6006(d); AND (4) GRANTING
RELATED RELIEF; DECLARATION OF
CLAY TANAKA IN SUPPORT THEREOF**

[Request for Judicial Notice Filed Concurrently
Herewith]

Hearing:

Date: September 30, 2021

Time: 2:00 p.m.

Place: ZoomGov

1 The Source Hotel, LLC, a California limited liability company and the chapter 11 debtor
2 and debtor-in-possession herein (the “Debtor”), hereby files this reply to the objections
3 (collectively, the “Objections”) filed by various creditors and parties in interest in response to the
4 Debtor’s *Motion For Entry Of Order: (1) Authorizing Sale Of Substantially All Of The Debtor’s*
5 *Assets; (2) Authorizing The Debtor’s Assumption And Assignment Of Ground Lease And*
6 *Determining Cure Amount; (3) Waiving The 14-Day Stay Periods Set Forth In Bankruptcy Rules*
7 *6004(h) And 6006(d); And (4) Granting Related Relief* [Doc. No. 227] (the “Motion”).¹

8 **Summary of the Motion**

9 Pursuant to the Motion, the Debtor seeks an order of the Court:

10 (A) pursuant to 11 U.S.C. § 363(f), authorizing the Debtor to enter into that certain
11 *Standard Offer, Agreement And Escrow Instructions For Purchase Of Real Estate (Non-*
12 *Residential)* and that certain *Sale Contract Addendum* (together, the “APA”), in substantially the
13 forms attached as Exhibit 1 to the Declaration of Chris Jackson annexed hereto (the “Jackson
14 Declaration”), to sell substantially all of the Debtor’s assets, comprised primarily of (i) a
15 partially-constructed seven-story hotel with 178 rooms located in the City of Buena Park, County
16 of Orange, State of California (the “Hotel”), (ii) the Debtor’s leasehold interest in a 99-year
17 ground lease (the “Ground Lease”) with the Debtor’s affiliate, The Source at Beach, LLC (the
18 “Ground Lessor”), for the real property on which the Hotel is being constructed (the “Leasehold
19 Interest”), and (iii) flooring and carpeting, lighting, appliances, trade fixtures, furniture,
20 furnishings and equipment already owned by the Debtor (“FF&E,” and together with the Hotel
21 and the Leasehold Interest, the “Assets”), free and clear of liens, claims, encumbrances and other
22 interests under the terms and conditions set forth in the APA, to the qualified bidder who is
23 determined by the Court to be the highest and best bidder (including its designees, the “Buyer”),
24 as determined at an auction to be conducted before the Court, if appropriate, on September 30,
25 2021 at 2:00 p.m. (the “Auction”);

26 (B) pursuant to 11 U.S.C. § 365, (i) authorizing the Debtor to assume the Ground

27 ¹ All capitalized terms not specifically defined herein shall have the meanings ascribed to
28 them in the Motion.

1 Lease and assign such Ground Lease to the Buyer, and (ii) establishing that the amount necessary
2 to cure the Debtor's defaults under the Ground Lease (the "Cure Amount") is \$0;

3 (C) waiving the 14-day stay periods set forth in Rules 6004(h) and 6006(d) of the
4 Federal Rules of Bankruptcy Procedure; and

5 (D) granting related relief as described in the Motion.

6 **Objection to the Motion by Westransco, Inc.**

7 Westransco, Inc. ("Westransco"), which contends that it holds a warehouse lien pursuant to
8 California Commercial Code section 7209 for outstanding storage fees totaling more than
9 \$271,428.26 to date, filed an Objection to the Motion [Doc. No. 234]. Westransco is currently
10 holding certain of the Debtor's FF&E, the value of which exceeds the amount of the storage fees
11 that Westransco contends it is owed. Westransco objects to the proposed sale of the Assets, free
12 and clear of its warehouse lien, to the extent that the purchase price paid for the Assets is not
13 sufficient to repay Westransco the amount it contends it is owed.

14 As a preliminary matter, the Debtor does not believe that the amount of the outstanding
15 storage fees asserted by Westransco is accurately calculated. While the Debtor is hopeful that the
16 ultimate purchase price to be paid for the Assets by the Buyer will be sufficient to repay
17 Westransco the amount that it is actually owed (or to create a reserve for repayment, while such
18 amount is being resolved), in the event that the purchase price to be paid for the Assets is not
19 sufficient to repay Westransco, the Court may nevertheless approve the sale of the Assets
20 (including the FF&E being held by Westransco), free and clear of any lien or other interest held by
21 Westransco.

22 As Westransco acknowledges in its Objection, the earliest that the Debtor began accruing
23 any outstanding storage fees was in October, 2019. The predecessor-in-interest to the Debtor's
24 secured lender, Shady Bird Lending, LLC ("Shady Bird"), recorded a UCC-1 financing statement
25 against the Debtor, which covers substantially all of the Debtor's assets, including the Debtor's
26 FF&E, on June 7, 2016. As a result, Shady Bird holds a senior lien against the Debtor's FF&E
27 (including, without limitation, the FF&E that Westransco is maintaining), and Westransco holds, at
28 best, a junior lien on the FF&E that it is currently maintaining.

1 For the reasons set forth in the Motion, the Court may authorize the sale of the FF&E and
2 other Assets, free and clear of junior liens, pursuant to 11 U.S.C. § 363(f)(5). Since Westransco
3 (and any other party who asserts a junior lien against the Assets) could be compelled, in a legal or
4 equitable proceeding, to accept a money satisfaction of its interest, the Court may – and should –
5 approve the proposed sale of the Assets, free and clear of any lien or interest held by Westransco.

6 **Objection to the Motion by Mechanic’s Lien Creditors**

7 Three separate creditors, which contend that they hold valid and perfected mechanic’s liens
8 against the Debtor’s Leasehold Interest, filed Objections to the Motion. Specifically, Objections to
9 the Motion were filed by Aragon Construction, Inc. [Doc. No. 238], Iron Mechanical, Inc. [Doc.
10 No. 241], and Sunbelt Controls, Inc. [Doc. No. 240] (collectively, the “Mechanic’s Lien
11 Objections”). The Mechanic’s Lien Objections, which are virtually identical in content, contend
12 that the Assets cannot be sold, free and clear of their asserted mechanic’s liens, because it is
13 “premature” to conclude that Shady Bird holds a senior lien against the the Debtor’s Leasehold
14 Interest.

15 As a preliminary matter, the mechanic’s lien asserted by Sunbelt Controls, Inc. (“Sunbelt”)
16 was not timely perfected and is therefore void and unenforceable. As reflected in the preliminary
17 title report which is attached as Exhibit 2 to the Motion (the “Preliminary Title Report”), Sunbelt
18 recorded its notice of mechanic’s lien against the Leasehold Interest on January 31, 2020 (as
19 Document No. 2020000043007). California Civil Code § 8460(a) requires that an action to
20 enforce the mechanic’s lien be commenced within 90 days of recordation to perfect a mechanic’s
21 lien. *See* Cal. Civ. Code § 8460(a) (“claimant shall commence an action to enforce a lien within 90
22 days after recordation of the claim of lien. If the claimant does not commence an action to enforce
23 the lien within that time, the claim of lien expires and is unenforceable.”). Sunbelt filed its
24 complaint to enforce its lien on May 26, 2020, well past the requisite 90-day period.² As a result,
25 under California Civil Code § 8460(a), Sunbelt’s lien was not properly perfected and expired even
26 prior to the Petition Date. Based on the foregoing, the Debtor respectfully submits that any lien
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28 ² Exhibit A to the Request for Judicial Notice filed concurrently herewith (“RJN”).

1 asserted by Sunbelt is in bona fide dispute and therefore, the proposed sale of the Assets, free and
2 clear of such disputed lien, should also be approved pursuant to 11 U.S.C. § 363(f)(4).

3 With respect to the mechanic's liens asserted by Aragon Construction, Inc. ("Aragon") and
4 Iron Mechanical, Inc. ("Iron Mechanical"), notwithstanding the unsupported allegations made by
5 Aragon and Iron Mechanical in their respective Objections, the mechanic's liens asserted by
6 Aragon and Iron Mechanical are indisputably junior to the lien of Shady Bird. Shady Bird's
7 predecessor in interest recorded its deed of trust against the Leasehold Interest on June 3, 2016.
8 Based on the complaints filed by Aragon and Iron Mechanical to enforce their respective liens,
9 neither Aragon nor Iron Mechanical provided goods and services to the Debtor prior to June 3,
10 2016. The complaint filed by Aragon to enforce its lien alleges that its contract with the Debtor's
11 general contractor, Greenland Construction Service, LLC ("Greenland") was entered into on or
12 about April 4, 2017, and presumably any goods and services provided by Aragon to the Debtor
13 were provided after such date.³ Similarly, the complaint filed by Iron Mechanical to enforce its
14 lien alleges that its contracts with Greenland were entered into on or about May 3, 2017 and
15 October 27, 2017, and presumably any goods and services provided by Iron Mechanical to the
16 Debtor were provided after the first contract date (*i.e.*, May 3, 2017).⁴ As a result, there is no
17 plausible factual or legal support for the suggestions by Aragon and Iron Mechanical that their
18 mechanic's liens may be senior to Shady Bird's lien.

19 For the reasons set forth in the Motion, the Court may authorize the sale of the Assets
20 (including the Leasehold Interest against which Aragon and Iron Mechanical assert liens), free and
21 clear of junior liens, pursuant to 11 U.S.C. § 363(f)(5). Since Aragon and Iron Mechanical could
22 be compelled, in a legal or equitable proceeding, to accept a money satisfaction of their interests,
23 the Court may – and should – approve the proposed sale of the Assets, free and clear of the liens
24 asserted by Aragon and Iron Mechanical.

27 ³ Exhibit B to the RJN.

28 ⁴ Exhibit B to the RJN.

1 No other purported mechanic's lien creditor filed a timely written objection to the Debtor's
2 Motion.⁵ Therefore, the Debtor submits that all other purported mechanic's lienholders be deemed
3 to have consented to the proposed sale of the Assets, free and clear of their asserted liens, claims,
4 interests and encumbrances, pursuant to 11 U.S.C. § 363(f)(2).

5 **Objection to the Motion by Lenders of Ground Lessor**

6 Certain lenders of the Ground Lessor (collectively, the "Source at Beach Parties") filed an
7 Objection to the Motion [Doc. No. 235], based on the Debtor's requests in the Motion to assume
8 and assign the Ground Lease to the Buyer and to establish the amount required to cure any defaults
9 under the Ground Lease to effectuate such assumption and assignment to be \$0. The Source at
10 Beach Parties notes that, while they are generally supportive of a successful sale of the Assets, the
11 Debtor is in default under the Ground Lease due to the recordation of mechanics' liens by certain
12 of the Debtor's creditors against the Ground Lessor's fee simple interest in the real property (the
13 "Fee Simple Property"), and that such default must be cured by the Debtor or the Buyer as part of
14 any assumption and assignment of the Ground Lease.

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18 ⁵ Based on the mechanic's lien recordation dates reflected in the Preliminary Title Report
19 (attached as Exhibit 2 to the Motion), and the dates of filing of complaints to enforce liens (if
20 any), only the following other creditors may have valid mechanic's liens against the Leasehold
Interest, but such creditors did not file timely written objections to the Motion and are therefore
deemed to have consented to the sale of the Assets free and clear of any liens that they may
hold:

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- Certified Tile, Inc. – lien recorded April 30, 2020, complaint filed May 26, 2020;
 - 22 • PDG Wallcoverings – lien recorded May 28, 2020, complaint filed August 26, 2020;
 - 23 • 3D Design Industries Inc. – lien recorded July 14, 2020, complaint filed October 13, 2020;
 - 24 • Northstar Demolition and Remediation, LP – lien recorded September 23, 2020, complaint filed October 20, 2020;
 - 25 • Retrolock Corp. – lien recorded July 24, 2020, complaint filed October 2, 2020;
 - 26 • Resco Electric Inc. – lien recorded December 5, 2019, complaint filed February 27, 2020; and
 - 27 • Solid Construction Company – lien recorded July 31, 2020, complaint filed October 22, 2020.
- 28

Based on the Debtor's analysis of the mechanics' liens recorded against the Ground Lessor about which the Source at Beach Parties have expressed concerns, only the following creditors may potentially have valid mechanic's liens based upon goods and services provided to the Debtor:

| Asserted Lienholder | Lien Recorded | Complaint Filed | Lien Amount |
|--|---------------|-----------------|----------------|
| 3D Design Industries Inc. | 7/14/2020 | 10/13/2020 | \$99,121.57 |
| Aragon Construction, Inc. | 8/21/2020 | 10/13/2020 | \$66,124.23 |
| Iron Mechanical, Inc. | 4/17/2020 | 5/27/2020 | \$88,182.00 |
| Iron Mechanical, Inc. | 4/17/2020 | 5/27/2020 | \$773,230.09 |
| Northstar Demolition and Remediation, LP | 9/23/2020 | 10/20/2020 | \$53,948.00 |
| PDG Wallcoverings | 5/28/2020 | 8/26/2020 | \$56,927.20 |
| Resco Electric Inc. | 12/5/2019 | 2/27/2020 | \$84,305.87 |
| Solid Construction Company | 7/31/2020 | 10/22/2020 | \$700,000.00 |
| | | | \$1,921,838.96 |

As the Source at Beach Parties acknowledge in their Objection, their concern may be addressed if (i) there are sufficient funds available from the purchase price for the Assets to pay or otherwise resolve the mechanic's liens described above, or (ii) the Buyer agrees to remove all such mechanic's liens from the Fee Simple Property. Given that the Buyer will require the assignment of the Ground Lease in connection with the purchase of the Assets, the Debtor is hopeful that the ultimate purchase price to be paid for the Assets will be sufficient to reserve for the mechanic's liens described above and/or that the Buyer will agree, as a condition of the assumption and assignment of the Ground Lease, to resolve or remove such mechanic's liens from the Fee Simple Property.

Responses to the Motion by Shady Bird and EB-5 Lenders

Both Shady Bird and the Debtor's EB-5 lenders, Beach Orangethorpe Hotel, LLC and Beach Orangethlope Hotel II, LLC (the "EB-5 Lenders") filed responses to the Motion. In the response to the Motion filed by Shady Bird [Doc. No. 237], Shady Bird states that it does not consent to a free and clear sale of the Assets unless its allowed claim is paid in full from the purchase price paid by the Buyer. In the response to the Motion filed by the EB-5 Lenders [Doc.

No. 239], the EB-5 Lenders state that they cannot consent to a free and clear sale of the Assets if other secured creditors are unwilling to do so.

Since the bid deadline has not passed and the auction (if appropriate) has not been conducted, it is unknown whether the purchase price to be paid by the Buyer will be sufficient to pay Shady Bird's allowed claim in full. While the Debtor is hopeful that the purchase price to be paid by the successful Buyer will be sufficient to pay Shady Bird's allowed claim in full, the Debtor notes that the allowed amount of Shady Bird's secured claim is limited by 11 U.S.C. § 506 and, based upon the value of the Assets (as determined at the auction), may not include post-petition interest, fees, costs, or other charges.

With respect to the liens asserted against the Leasehold Interest by the EB-5 Lenders, such liens were recorded against the Leasehold Interest on August 28, 2017 and are indisputably junior to the lien held by Shady Bird. As such, for the reasons set forth in the Motion, the Court may authorize the sale of the Assets, free and clear of the EB-5 Lenders' liens, even without the EB-5 Lenders' consent, pursuant to 11 U.S.C. § 363(f)(5). Since the EB-5 Lenders could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of their interests, the Court may – and should – approve the proposed sale of the Assets, free and clear of the liens asserted by the EB-5 Lenders.

For all of the reasons set forth above and in the Motion, the Debtor respectfully requests that this Court enter an order overruling the Objections and granting the Motion, and granting such further relief as the Court deems just and proper.

Dated: September 23, 2021

THE SOURCE HOTEL, LLC



By: _____

RON BENDER
JULIET Y. OH
LEVENE, NEALE, BENDER,
YOO & BRILL L.L.P.
Attorneys for Chapter 11 Debtor and
Debtor-in-Possession

DECLARATION OF CLAY TANAKA

I, Clay Tanaka, hereby declare as follows:

1. I am General Counsel for M+D Properties, a California corporation, which is the Manager of The Source Hotel, LLC, the debtor and debtor-in-possession herein (the “Debtor”), and I am therefore familiar with the business operations and financial records of the Debtor. I have personal knowledge of the facts set forth below and, if called to testify, I would and could competently testify thereto.

2. I have conducted an analysis of the mechanic’s liens recorded against the fee simple real property interest held by the Debtor’s ground lessor, The Source at Beach, LLC (the “Ground Lessor”), based upon goods and services provided to the Debtor. A summary of such analysis is attached as **Exhibit A** hereto. Based upon my analysis, I believe that only the following creditors may potentially have valid mechanic’s liens:

| Asserted Lienholder | Lien Recorded | Complaint Filed | Lien Amount |
|--|----------------------|------------------------|--------------------|
| 3D Design Industries Inc. | 7/14/2020 | 10/13/2020 | \$99,121.57 |
| Aragon Construction, Inc. | 8/21/2020 | 10/13/2020 | \$66,124.23 |
| Iron Mechanical, Inc. | 4/17/2020 | 5/27/2020 | \$88,182.00 |
| Iron Mechanical, Inc. | 4/17/2020 | 5/27/2020 | \$773,230.09 |
| Northstar Demolition and Remediation, LP | 9/23/2020 | 10/20/2020 | \$53,948.00 |
| PDG Wallcoverings | 5/28/2020 | 8/26/2020 | \$56,927.20 |
| Resco Electric Inc. | 12/5/2019 | 2/27/2020 | \$84,305.87 |
| Solid Construction Company | 7/31/2020 | 10/22/2020 | \$700,000.00 |
| | | | \$1,921,838.96 |

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EXHIBIT “A”

In re: THE SOURCE HOTEL, LLC, a California limited liability company

Case No. 8:21-bk-10525-ES

RESPONSE TO OBJECTIONS BY LENDERS FOR THE SOURCE AT BEACH, LLC

| Title Exception No. | Recording Date | Claimant | Lien Amount Claimed | APN / OWNERS AFFECTED | Debtor's Response | Notes |
|---------------------|----------------|----------------------------------|---------------------|--|--|--|
| 38 | 10/10/19 | Solid Construction Company, Inc. | \$700,000.00 | APNs 276-361-23 to 30, 32, 33, 35 to 45, 50 to 62 all affected / The Source Hotel, LLC, The Source at Beach, LLC, Beach Orangethorpe Hotel, LLC, Beach Orangethorpe Hotel II, LLC, Beach Orangethorpe Hotel III, LLC | Lien expired on 1/8/20 per Civil Code section 8460. | Doc No. 2019000396457 dated 10/10/2019 for a claim of \$700,000; Property Where Work Furnished: 6986-6988 Beach Blvd.; Reputed Owner(s): The Source Hotel, LLC, Greenland Construction Services, LLC, Beach Orangethorpe Hotel, LLC, Beach Orangethorpe Hotel II, LLC. |
| 39 | 11/12/19 | 3D Design Industries Inc. | \$113,974.57 | APNs 276-361-23 to 30, 32, 33, 35 to 45, 50 to 62, 276-361-39, 41, 43, 45 / The Source Hotel LLC, Beach Orangethorpe Hotel LLC | Lien expired on 2/10/20 per Civil Code section 8460. | Doc No. 2019000449075 dated 11/12/2019 for a claim of \$113,974.57; Property Where Work Furnished: 6986 Beach Blvd. (Hotel address); Reputed Owner(s): MD Properties, Greenland Construction Service LLC, Mr. Donald Chae. |
| 40 | 12/5/19 | Resco Electric Inc. | \$84,305.87 | APN 276-361-45 / The Source Hotel, LLC | Complaint to foreclose on mechanic's lien ("Mechanic's Lien Complaint") filed on 2/27/20 and Debtor is defending action. | Doc No. 2019000508145 dated 12/5/2019 for a claim of \$84,305.87; Property Where Work Furnished: 6986 Beach Blvd (Hotel address); Reputed Owner(s): The Source Hotel, LLC |
| 41 | 1/27/20 | Resco Electric Inc. | \$9,664.70 | APN 276-361-45 / The Source Hotel, LLC | Not applicable to Debtor | Doc No. 2020000033753 dated 1/27/2020 for a claim of \$9,664.70; Property Where Work Furnished: "6970 Beach Blvd # G110" (Source Retail space occupied by "Allo & Lugh"); Reputed Owner(s): The Source at Beach, LLC ONLY. |
| 42 | 1/27/20 | Resco Electric Inc. | \$6,046.10 | APN 276-361-45 / The Source Hotel, LLC | Not applicable to Debtor | Doc No. 2020000033754 dated 1/27/2020 for a claim of \$6,046.10; Property Where Work Furnished: "6980 Beach Blvd # H109" (Source Retail space occupied by "Blue Lab"); Reputed Owner(s): The Source at Beach, LLC ONLY. |
| 43 | 1/27/20 | Resco Electric Inc. | \$5,615.61 | APN 276-361-45 / The Source Hotel, LLC | Not applicable to Debtor | Doc No. 2020000033756 dated 1/27/2020 for a claim of \$5,616.61; Property Where Work Furnished: "6950 Beach Blvd # E114" (Source Retail space occupied by "New Origin"); Reputed Owner(s): The Source at Beach, LLC ONLY. |
| 44 | 1/27/20 | Resco Electric Inc. | \$8,231.54 | APN 276-361-45 / The Source Hotel, LLC | Not applicable to Debtor | Doc No. 2020000033757 dated 1/27/2020 for a claim of \$8,231.54; Property Where Work Furnished: "6940 Beach Blvd # E115" (Source Retail space occupied by "Mobile Land"); Reputed Owner(s): The Source at Beach, LLC ONLY. |

| Title Exception No. | Recording Date | Claimant | Lien Amount Claimed | APN / OWNERS AFFECTED | Debtor's Response | Notes |
|---------------------|----------------|----------------------------------|---------------------|--|--|---|
| 45 | 1/27/20 | Resco Electric Inc. | \$16,837.25 | APN 276-361-45 / The Source Hotel, LLC | Not applicable to Debtor | Doc No. 2020000033758 dated 1/27/2020 for a claim of \$16,837.25; Property Where Work Furnished: "6950 Beach Blvd # E203" (Source Retail space occupied by "The Bakery School"); Reputed Owner(s): The Source at Beach, LLC ONLY. |
| 46 | 1/27/20 | Resco Electric Inc. | \$6,177.03 | APN 276-361-45 / The Source Hotel, LLC | Not applicable to Debtor | Doc No. 2020000033759 dated 1/27/2020 for a claim of \$6,177.03; Property Where Work Furnished: "6980 Beach Blvd # F301" (Source Retail space occupied by "Hansang"); Reputed Owner(s): The Source at Beach, LLC ONLY. |
| 47 | 1/27/20 | Resco Electric Inc. | \$6,018.84 | APN 276-361-45 / The Source Hotel, LLC | Not applicable to Debtor | Doc No. 2020000033760 dated 1/27/2020 for a claim of \$6,018.84; Property Where Work Furnished: "6940 Beach Blvd # F111" (Source Retail space occupied by "Myongrang"); Reputed Owner(s): The Source at Beach, LLC ONLY. |
| 48 | 1/27/20 | Resco Electric Inc. | \$3,543.26 | APN 276-361-45 / The Source Hotel, LLC | Not applicable to Debtor | Doc No. 2020000033761 dated 1/27/2020 for a claim of \$3,543.26; Property Where Work Furnished: "6920 Beach Blvd # K124" (Source Retail space occupied by "Yang's Braised Chicken"); Reputed Owner(s): The Source at Beach, LLC ONLY. |
| 49 | 1/27/20 | Resco Electric Inc. | \$7,282.23 | APN 276-361-45 / The Source Hotel, LLC | Not applicable to Debtor | Doc No. 2020000033762 dated 1/27/2020 for a claim of \$7,262.23; Property Where Work Furnished: "6924 Beach Blvd # K135" (Source Retail space occupied by "DR+Lab"); Reputed Owner(s): The Source at Beach, LLC ONLY. |
| 50 | 1/27/20 | Resco Electric Inc. | \$10,353.24 | APN 276-361-45 / The Source Hotel, LLC | Not applicable to Debtor | Doc No. 2020000033763 dated 1/27/2020 for a claim of \$10,353.24; Property Where Work Furnished: "6970 Beach Blvd (Source Mall Exterior Lighting)" (Source Retail space); Reputed Owner(s): The Source at Beach, LLC ONLY. |
| 51 | 1/28/20 | Solid Construction Company, Inc. | \$700,000.00 | APNs 276-361-23 to 30, 32, 33, 35 to 45, 50 to 62 all affected / The Source Hotel, LLC, The Source at Beach, LLC, Beach Orangethorpe Hotel, LLC, Beach Orangethorpe Hotel II, LLC, Beach Orangethorpe Hotel III, LLC | Lien expired on 4/27/20 per Civil Code section 8460. | Doc No. 2020000036952 dated 1/28/2020 for a claim of \$700,000; Property Where Work Furnished: 6986-6988 Beach Blvd.; Reputed Owner(s): The Source Hotel, LLC, Greenland Construction Services, LLC, Beach Orangethorpe Hotel, LLC, Beach Orangethorpe Hotel II, LLC. |
| 52 | 1/31/20 | Sunbelt Controls, Inc. | \$234,653.00 | APNs 276-361-20 and 276-361-22 / The Source Hotel, LLC | Lien expired on 4/30/20 per Civil Code section 8460. | Doc No. 2020000043007 dated 1/31/2020 for a claim of \$234653; Property Where Work Furnished: 6986 Beach Blvd. (Hotel address); Reputed Owner(s): The Source Hotel, LLC only. |

| Title Exception No. | Recording Date | Claimant | Lien Amount Claimed | APN / OWNERS AFFECTED | Debtor's Response | Notes |
|---------------------|----------------|----------------------------------|---------------------|--|--|---|
| 53 | 4/17/20 | Iron Mechanical, Inc. | \$88,182.00 | APNs 276-361-29, 30, 32, 33, 35 to 45, 56 to 62 / The Source Hotel, LLC; The Source at Beach LLC, Beach Orangethorpe Hotel, LLC, Beach Orangethorpe Hotel II, LLC | Mechanic's Lien Complaint filed on 5/27/2020 and Debtor is defending action. | Doc No. 2020000174359 dated 4/17/2020 for a claim of \$88,182.00; Property Where Work Furnished: 6986 Beach Blvd. (Hotel address); Reputed Owner(s): both The Source at Beach, LLC and The Source at Beach LLC as its owners. |
| 54 | 4/17/20 | Iron Mechanical, Inc. | \$773,230.09 | APNs 276-361-29, 30, 32, 33, 35 to 45, 56 to 62 / The Source Hotel, LLC; The Source at Beach LLC, Beach Orangethorpe Hotel, LLC, Beach Orangethorpe Hotel II, LLC | Mechanic's Lien Complaint filed on 5/27/2020 and Debtor is defending action. | Doc No. 2020000174360 dated 4/17/2020 for a claim of \$773,230.09; Property Where Work Furnished: 6986 Beach Blvd. (Hotel address); Reputed Owner(s): both The Source Hotel, LLC and The Source at Beach, LLC as its owners. |
| 55 | 5/28/20 | PDG Wallcoverings | \$56,927.20 | APNs 276-361-23 to 30, 32, 33, 35 to 45, 50 to 62 all affected / The Source Hotel, LLC, The Source at Beach, LLC, Beach Orangethorpe Hotel, LLC, Beach Orangethorpe Hotel II, LLC | Mechanic's Lien Complaint filed on 8/26/2020 and Debtor is defending action. | Doc No. 2020000241399 dated 5/28/2020 for a claim of \$56,927.20; Property Where Work Furnished: 6986 Beach Blvd. (APN 276-361-22) (Hotel address); Reputed Owner(s): The Source at Beach, LLC, The Source at the Beach, LLC, Beach Orangethorpe Hotel, LLC and Beach Orangethorpe Hotel II, LLC as its owners. |
| 56 | 7/14/20 | Buchanan Company | \$5,344.06 | APNs 276-361-29, 30, 32, 33, 35 to 45, 56 to 62 / The Source Hotel, LLC; The Source at Beach LLC | Lien expired on 10/12/20 per Civil Code section 8460. | Doc No. 2020000334241 dated 7/14/2020 for a claim of \$5,344.06; Property Where Work Furnished: 6988 Beach Blvd. (Hotel address); Reputed Owner(s): The Source Hotel, LLC only. |
| 57 | 7/14/20 | 3D Design Industries Inc. | \$99,121.57 | APNs 276-361-23 to 30, 32, 33, 35 to 45, 50 to 62, 276-361-39, 41, 43, 45 / The Source Hotel LLC, Beach Orangethorpe Hotel LLC | Mechanic's Lien Complaint filed on 10/13/20, the day after the 90-day period expired on 10/12/20, a court holiday, was timely. | Doc No. 2020000334313 dated 7/14/2020 for a claim of \$99,121.57; Property Where Work Furnished: 6988 Beach Blvd. (Hotel address); Reputed Owner(s): MD Properties, Greenland Construction Service LLC, Beach Orangethorpe Hotel LLC, Mr. Donald Chae. |
| 58 | 7/31/20 | Solid Construction Company, Inc. | \$700,000.00 | APNs 276-361-23 to 30, 32, 33, 35 to 45, 50 to 62 all affected / The Source Hotel, LLC, The Source at Beach, LLC, Beach Orangethorpe Hotel, LLC, Beach Orangethorpe Hotel II, LLC, Beach Orangethorpe Hotel III, LLC | Mechanic's Lien Complaint filed on 10/22/2020 and Debtor is defending action. | Doc No. 2020000374403 dated 7/31/2020 for a claim of \$700,000; Property Where Work Furnished: 6986-6988 Beach Blvd.; Reputed Owner(s): The Source Hotel, LLC, M&D Regional Center, LLC, Greenland Construction Services, LLC, Beach Orangethorpe Hotel, LLC, Beach Orangethorpe Hotel II, LLC, Beach Orangethorpe Hotel III, LLC and Evertrust Bank. |

| Title Exception No. | Recording Date | Claimant | Lien Amount Claimed | APN / OWNERS AFFECTED | Debtor's Response | Notes |
|---------------------|----------------|--|---------------------|--|--|---|
| 59 | 8/4/20 | EKO Karaoke Lounge, Inc. | \$233,437.67 | The Source at Beach, LLC – NOT SURE WHETHER THE KARAOKE LOUNGE IS IN THE HOTEL OR RETAIL COMPLEX. THIS NEEDS TO BE INVESTIGATED. | Not applicable to Debtor | Doc No. 2020000380265 dated 8/4/2020 for a claim of \$233,437.67; Property Where Work Furnished: "6920 Beach Blvd., K-223" (Source Retail space occupied by "EKO Karaoke"); Reputed Owner(s): The Source at Beach, LLC ONLY. |
| 60 | 8/5/20 | Evergreen Electric Construction, Inc. | \$528,260.00 | The Source Hotel LLC | Lien expired on 11/3/20 per Civil Code section 8460. | |
| 61 | 8/5/20 | Best Quality Painting | \$80,000.00 | The Source Hotel LLC | Lien expired on 11/3/20 per Civil Code section 8460. | Doc No. 2020000383728 dated 8/5/2020 for a claim of \$80,000.00; Property Where Work Furnished: 6940 Beach Blvd. D-301 (Source Office address); Reputed Owner(s): The Source Hotel, LLC only. |
| 63 | 8/21/20 | Aragon Construction, Inc. | \$66,124.23 | APNs 276-361-20 and 22 / The Source Hotel LLC | Mechanic's Lien Complaint filed on 10/13/2020 and Debtor is defending action. | Doc No. 2020000426872 dated 8/21/2020 for a claim of \$66,124.23; Property Where Work Furnished: 6986 Beach Blvd. (Hotel address); Reputed Owner(s): The Source at Beach, LLC ONLY. |
| 64 | 9/23/20 | Northstar Demolition and Remediation, LP | \$53,948.00 | APNs 276-361-29, 30, 32, 33 to 35 to 45, 56 to 62 / The Source Hotel, LLC; The Source at Beach LLC, Beach Orangethorpe Hotel, LLC | Mechanic's Lien Complaint filed on 10/20/2020 and Debtor is defending action. | Doc No. 2020000517005 dated 9/23/2020 for a claim of \$5,3948; Property Where Work Furnished: 6986 Beach Blvd. (Hotel address); Reputed Owner(s): both The Source Hotel, LLC as lessor, and The Source at Beach as its owner. |
| 65 | 9/25/20 | California Access Scaffold, LLC | \$7,051.40 | The Source at Beach LLC | Lien expired on 12/24/20 per Civil Code section 8460. | Doc No. 2020000523369 dated 9/25/20 for a claim of \$7,051.40; Property Where Work Furnished: "The Source" at "6940 Beach Blvd" (Source Office address) for 12 Tower Construction; Reputed Owner(s): The Source at Beach LLC and MD Properties. |
| 66 | 9/25/20 | California Access Scaffold, LLC | \$12,174.00 | The Source at Beach LLC | Lien expired on 12/24/20 per Civil Code section 8460. | Doc No. 2020000523381 dated 9/25/20 for a claim of \$12,174.00; Property Where Work Furnished: "The Source" at "6940 Beach Blvd" (Source Office address) for Inno Architecture; Reputed Owner(s): The Source at Beach LLC and MD Properties. |
| 67 | 10/14/20 | Blazing Structure Steel Inc. | \$220,000.00 | The Source at Beach LLC | Lien expired on 1/12/21 per Civil Code section 8460. | Doc No. 2020000571564 dated 10/14/2020 for a claim of \$220,000; Property Where Work Furnished: "6882 aka 6940 Beach Blvd" "APN #276-361-52" (Source Retail address and APN) for Innoarc; Reputed Owner(s): The Source at Beach, LLC ONLY. |
| 68 | 11/10/20 | Best Quality Painting | \$80,000.00 | The Source Hotel LLC | Lien expired on 2/8/21 per Civil Code section 8460. | Doc No. 2020000646955 dated 11/10/2020 for a claim of \$80,000.00; Property Where Work Furnished: 6986 Beach Blvd (Hotel address); Reputed Owner(s): The Source Hotel, LLC only. |

| Title Exception No. | Recording Date | Claimant | Lien Amount Claimed | APN / OWNERS AFFECTED | Debtor's Response | Notes |
|---------------------|----------------|---|---------------------|-------------------------|--|--|
| 70 | 11/19/20 | Western Concrete Pumping, Inc. | \$9,544.23 | The Source at Beach LLC | Lien expired on 2/17/21 per Civil Code section 8460. | Doc No. 2020000671386 dated 11/19/2020 for a claim of \$9,544.23; Property Where Work Furnished: "6940 Beach Blvd." "The Source Tower & Residence" for Diablo Consulting (Source Office address); Reputed Owner(s): The Source at Beach, LLC ONLY. |
| 72 | 12/7/20 | American Integrated Resources, Inc. | \$13,690.00 | The Source at Beach LLC | Lien expired on 3/8/21 per Civil Code section 8460. | Doc No. 2020000715590 dated 12/7/2020 for a claim of \$13,690.00; Property Where Work Furnished: "The Source Motel 6986 Beach Blvd" for Greenland Construction Services, LLC c/o M+D Properties (Hotel address); Reputed Owner(s): The Source at Beach, LLC. |
| 73 | 12/10/20 | Mirae Construction Co. | \$10,000.00 | The Source at Beach LLC | Not applicable to Debtor | Doc No. 202000726764 dated 12/10/21 for a claim of \$10,000.00; Property Where Work Furnished: "6940 Beach Blvd. #D-201" (Source Retail address) for Innoarc; Reputed Owner(s): The Source at Beach, LLC ONLY. |
| 74 | 12/10/20 | Mirae Construction Co. | \$20,000.00 | The Source at Beach LLC | Not applicable to Debtor | Doc No. 2020000726765 dated 12/10/21 for a claim of \$20,000.00; Property Where Work Furnished: 6940 Beach Blvd. #D-121" (Source Retail address); Reputed Owner(s): The Source at Beach, LLC ONLY. |
| 76 | 1/29/21 | Glendale Plumbing and Fire Supply, Inc. | \$14,845.76 | The Source Hotel, LLC | Lien expired on 4/29/21 per Civil Code section 8460. | Doc No. 2021000065144 dated 1/29/2021 for a claim of \$14,845.76; Property Where Work Furnished: "The Source Hotel 6986 Beach Blvd" for Salamander Fire Protection; Reputed Owner(s): The Source Hotel, LLC only. |
| 77 | 2/11/21 | Best Quality Painting | \$80,000.00 | The Source Hotel, LLC | Lien expired on 5/12/21 per Civil Code section 8460. | Doc No. 2021000099809 dated 2/11/2021 for a claim of \$80,000.00; Property Where Work Furnished: 6986 Beach Blvd (Hotel address); Reputed Owner(s): The Source Hotel, LLC only. |

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is 10250 Constellation Boulevard, Suite 1700, Los Angeles, CA 90067

A true and correct copy of the foregoing document entitled **DEBTOR'S REPLY TO OBJECTIONS AND RESPONSES TO MOTION FOR ENTRY OF ORDER: (1) AUTHORIZING SALE OF SUBSTANTIALLY ALL OF THE DEBTOR'S ASSETS; (2) AUTHORIZING THE DEBTOR'S ASSUMPTION AND ASSIGNMENT OF GROUND LEASE AND DETERMINING CURE AMOUNT; (3) WAIVING THE 14-DAY STAY PERIODS SET FORTH IN BANKRUPTCY RULES 6004(h) AND 6006(d); AND (4) GRANTING RELATED RELIEF; DECLARATION OF CLAY TANAKA IN SUPPORT THEREOF** will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On **September 23, 2021**, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:

- Ron Bender rb@lnbyb.com
- Christopher G. Cardinale ccardinale@agclawfirm.com, mgonzalez@agclawfirm.com
- Michael G Fletcher mfletcher@frandzel.com, sking@frandzel.com
- Amir Gamliel amir-gamliel-9554@ecf.pacerpro.com, cmallahi@perkinscoie.com; DocketLA@perkinscoie.com
- Robert P Goe kmurphy@goeforlaw.com, rgoe@goeforlaw.com; goeforecf@gmail.com
- Nancy S Goldenberg nancy.goldenberg@usdoj.gov
- Peter F Jazayeri peter@jaz-law.com
- Daniel A Lev dlev@sulmeyerlaw.com, ccaldwell@sulmeyerlaw.com; dlev@ecf.inforuptcy.com
- Grant A Nigolian grant@gnpclaw.com, process@gnpclaw.com; grant.nigolian@gmail.com
- Juliet Y Oh jyo@lnbrb.com, jyo@lnbrb.com
- Ho-El Park hpark@hparklaw.com
- Ronald N Richards ron@ronaldrichards.com, morani@ronaldrichards.com
- United States Trustee (SA) ustpregion16.sa.ecf@usdoj.gov

2. SERVED BY UNITED STATES MAIL: On **September 23, 2021**, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

☐ Service List continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL (state method for each person or entity served): Pursuant to F.R.Civ.P. 5 and/or controlling LBR, on **September 23, 2021**, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

SERVED BY EMAIL

Nancy S Goldenberg
United States Trustee (SA)
411 W Fourth St Ste 7160
Santa Ana, CA 92701-8000

Dale A. Ortmann/Dustin Lozano
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Pasadena, CA 91101-1807

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ewu@reidwise.com; bhaefe@porterlaw.com; nancy.goldenberg@usdoj.gov;

☐ Service List continued on attached page

I declare under penalty of perjury under the laws of the United States of America that the foregoing is true and correct.

September 23, 2021

Lourdes Cruz

/s/ Lourdes Cruz

Date

Type Name

Signature